

Message Text

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USIDB:NCOAR (SUBST)

USIBRD:PGONZALEZ (SUBST.)

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FM SECSTATE WASHDC

TO AMEMBASSY PANAMA PRIORITY

C O N F I D E N T I A L STATE 003794

E.O. 11652: GDS

TAGS:ECON, EFIN, PN

SUBJECT: FINANCIAL SUPPORT FOR PUBLIC DEVELOPMENT BANK

"COFINA"

REF: PANAMA 7542

FOR AMBASSADOR FROM FISHLOW

1. DEPARTMENT HAS DISCUSSED POSSIBILITIES OF FINANCIAL
SUPPORT FOR COFINA AT MID AND LOWER LEVELS IN IBRD AND IDB.
REPORTED STATUS FOLLOWS:

2. IBRD/IFC - PROJECT WAS DISCUSSED WITH IBRD OFFICIALS
DURING CEPICIES COUNTRY REVIEW AND DURING RECENT IBRD
MISSION VISIT TO PANAMA. TECHNICAL LEVEL APPEARS IM-
PRESSED BY PANAMANIAN PRESENTATION ON COFINA AND OVERALL
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DESIRABILITY OF PROJECT IN CONTEXT OF PANAMA'S DEVELOPMENT

SITUATION. IN GENERAL, IBRD/IFC SEEMS DISPOSED TO PROVIDE ADHOC TECHNICAL ASSISTANCE TO COFINA AS MAY BE REQUESTED TO HELP SOLVE SPECIFIC PROBLEMS IN GETTING PROJECT OFF GROUND, E.G. IN ESTABLISHING LENDING CRITERIA ETC. EVIDENTLY, THERE HAS BEEN SOME TYPE OF POLICY DECISION NOT TO CONSIDER FINANCIAL ASSISTANCE BASED ON EXISTING LEVEL OF PROJECT ACTIVITY IN PANAMA AND PLANNED PROJECTS FOR PANAMA AND ELSEWHERE. ONE IFC OFFICIAL WHO VERY MUCH FAVORS PROJECT SUGGESTED THAT GOP MIGHT BE ABLE TO CHANGE THIS DECISION BY INDICATING TO IBRD AT HIGH LEVEL THAT COFINA HAD VERY HIGH PRIORITY VIS-A-VIS OTHER PROJECTS BEING CONSIDERED FOR PANAMA AND ELSEWHERE. GIVEN IDB'S INTEREST IN PROJECT, HOWEVER, THIS DOES NOT APPEAR TO BE NECESSARY.

3. IDB - IDB OFFICIALS HAVE BEEN CONSULTED BY GOP IN PLANNING COFINA PROJECT, I.E. HAD INPUT IN DRAFTING LEGISLATION, AND IDB IS WILLING TO PROVIDE BOTH TECHNICAL AND FINANCIAL ASSISTANCE. TECHNICAL COOPERATION AGREEMENT FOR ABOUT L50,000 DOLLARS IS EXPECTED TO BE APPROVED SHORTLY. IDB TECHNICAL COOPERATION WOULD BE CONTINUED THROUGH 1976 WITH FINANCIAL ASSISTANCE NOW SCHEDULED TENTATIVELY FOR 1977 DEPENDING ON OUT COME OF TECHNICAL COOPERATION. IN THE INTERIM, I.E. WHILE COFINA IS BEING SET UP AND DEVELOPING A PORTFOLIO OF POTENTIAL PROJECTS, IDB PLANS TO GO AHEAD WITH "BRIDGE TYPE FINANCING" FOR INDUSTRIAL PROJECTS WITH A LOAN TO THE NATIONAL BANK.

4. IF NEEDED, WE ARE QUITE WILLING TO MAKE SPECIAL EFFORT TO SUPPORT COFINA PROJECT ON ITS MERITS IN IDB.

5. QUESTION IS HOW WE GO ABOUT IT IN COORDINATION WITH GOP'S OWN EFFORTS AND PRIORITIES. FOR EXAMPLE, PRIOR TO HAVING BENEFIT OF ABOVE STATUS INFORMATION, I SUGGESTED TO BARLETTA POSSIBILITY OF JOINTLY HOLDING SMALL MEETING WITH IBRD AND IDB INDICATING OUR SUPPORT FOR THE COFINA PLAN, WHEN DEVELOPED, AND ITS FISCAL SOUNDNESS. BARLETTA THOUGHT POSSIBILITY MIGHT BE HELPFUL BUT WAS UNABLE TO DISCUSS IT FURTHER WITH US BECAUSE OF A CHANGE IN HIS CONFIDENTIAL

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TRAVEL PLANS.

6. SUGGEST BEST WAY TO PROCEED IS FOR EMBASSY TO RAISE COFINA PROJECT AGAIN WITH BARLETTA AND ELICIT HIS VIEWS ON HOW GOP PLANS TO PROCEED AND ON HOW, WHEN, AND WHERE OUR SUPPORT WOULD BE MOST USEFUL. KISSINGER

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